



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Approve Service Agreement with Innovative Claims Solutions, Inc., for the administration of worker's compensation claims for the period October 1, 2004 through September 30, 2005 with an increase of 2.0% over the current annual fee (\$82,154.40)

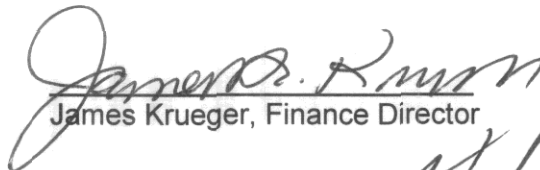
MEETING DATE: November 17th, 2004

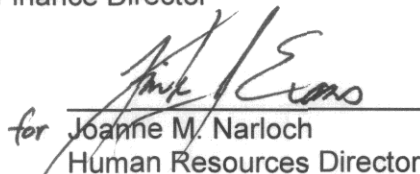
PREPARED BY: Joanne Narloch, Human Resources Director

RECOMMENDED ACTION: That City Council adopt the attached resolution authorizing the Interim City Manager to execute the service agreement with Innovative Claims Solutions, Inc., (ICS) for the administration of worker's compensation claims for the period October 1, 2004 through September 30, 2005 with an increase of 2.0% over the current annual fee.

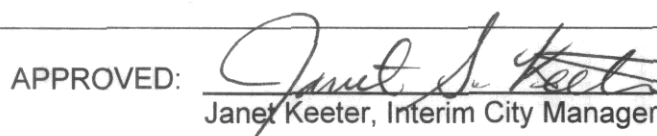
BACKGROUND INFORMATION: The workers compensation system in California is extremely complex. The intricacies of managing claims increases with the introduction of each new piece of workers compensation legislation. As our third party administrator, ICS is responsible for preparation of numerous time sensitive letters/notifications regarding workers compensation benefits for each injured City employee, preparation of reports for the State and other entities, review of medical information and arranging for disability ratings regarding injured employees, as well as processing all claims in accordance with rules and regulations established by the Department of Industrial Relations. ICS has performed its administrative responsibilities exceedingly well and has been most valuable in providing guidance on all claims – especially the most difficult claims. The agreement for performing workers compensation claims administration services expired 9/30/2004. ICS has requested a 2.0% increase in their fee. On a monthly basis this would go from \$6,711.96 to \$6,846.20. It is Human Resources' recommendation that Council approve this agreement retroactively to 10/01/04 and for one year until 9/30/05. Staff intends to prepare an RFP and will bring it to Council for approval prior to the expiration of this agreement.

FUNDING: Currently budgeted. The increase of 2.0% is \$1,610.88 over the current annual rate.


James Krueger, Finance Director


for Joanne M. Narloch
Human Resources Director

Prepared by Kirk Evans, Risk Manager
Cc: City Attorney

APPROVED: 
Janet Keeter, Interim City Manager

AGREEMENT

THIS AGREEMENT made and entered into this _____ day of November 2004, by and between CITY OF LODI, hereafter called "CLIENT," and INNOVATIVE CLAIM SOLUTIONS, INC., hereinafter called "ICS" (collectively the "Parties").

In consideration of the terms and conditions contained herein, the Parties agree as follows:

I. This Agreement shall be effective on October 1, 2004. Unless terminated pursuant to paragraph III, this Agreement shall be continuous for the period October 1, 2004 through September 30, 2005.

II. On behalf of CLIENT, ICS agrees to perform the following services in connection with CLIENT's Workers' Compensation Program:

A. Claims Administration

1. Determine liability for claimed injuries and illnesses in accordance with California Workers' Compensation Laws.
2. Review and process all claims in accordance with rules and regulations established by the Division of Industrial Relations, Department of Self-Insurance Plans, State of California.
3. Establish files containing medical and factual information on each reported claim together with complete accounting records and maintain same in accordance with statutory time requirements.
4. Compute and pay temporary disability benefits to injured or ill employees based on earnings information and authorized disability periods.
5. Determine nature and extent of permanent disability and arrange for informal disability rating whenever possible to avoid Workers' Compensation Appeals Board litigation.
6. Explain to and assist employee in completing necessary forms for permanent disability ratings.
7. Review, compute and pay all informal ratings, findings and awards, life pensions or compromise and release settlements.
8. Maintain and establish reserve estimates for each reported claim.

9. Arrange for and supervise all necessary investigation to determine eligibility for compensation benefits and/or liability of negligent third parties.
10. Handle excess reinsurance claims on CLIENT's behalf, complying with all conditions of reinsurance contract. Submit billings and collect paid losses in excess of self-insurance retention.
11. Arrange and supervise rehabilitation services where indicated.
12. Arrange for and set up system for payment of benefits and allocated expenses in accordance with CLIENT's needs.
13. Assist in the preparation of all reports which are now, or will be required by State of California or other government agencies with respect to self-funded programs.

B. Medical Administration

1. Select, with CLIENT's approval, a panel of general practitioners, specialists, hospitals and emergency treatment facilities to which injured employees should be referred. Review and update panel on a regular basis.
2. Authorize, review and monitor all medical treatment required on injury or illness claims. Audit and pay all medical expenses.
3. Maintain close contact with treating physicians to ensure employees receive proper medical treatment and are returned to full employment at earliest date.
4. Arrange for medical-legal opinions in disputed cases, conferring with treating physicians, medical peer review boards, CLIENT, and legal counsel where indicated.
5. Consult frequently with CLIENT in those cases where injury residual might involve restriction and/or retirement potential.

C. Legal Administration

1. Refer litigated cases to attorneys recommended by ICS and approved by CLIENT for purposes of defending CLIENT's interests before Workers' Compensation Appeals Board and the court.
2. Work closely with counsel in preparing defense of litigated cases.
3. Obtain CLIENT's authorization on all settlements or stipulations.

4. Work closely with applicant's attorney and legal counsel in informal dispositions of litigated cases.
5. Attend, where indicated, Workers' Compensation Appeals Board hearings.
6. Discharge on behalf of CLIENT, all legal obligations to its injured employees imposed by Workers' Compensation Appeals Board and higher courts.
7. Protect and preserve CLIENT's interests in all potential subrogation cases.

D. Employee Services

1. Develop with CLIENT, materials which will provide information and guidance to employees regarding Workers' Compensation and the Self-Insurance Program.
2. Meet and confer with CLIENT to review and update them on Workers' Compensation benefits and self-insurance.
3. Meet with and assist injured employees in resolving problems that arise from injury or illness claims.
4. Develop and recommend policies and procedures in areas such as pre-employment physicals, work restrictions and disability retirement.

E. Statistical

1. Report to CLIENT, monthly status of claim payments and reserves on an individual claim basis and in the aggregate.
2. Report to CLIENT, quarterly loss analysis of claims filed by frequency and severity.
3. Assist in the preparation of all reports required by the State of California or other Governmental agencies relating to Workers' Compensation claims.
4. Additional reports will be provided to CLIENT at their request at no additional cost.
Special report requests that require programming time may be charged to CLIENT at cost.

III. Either party may cancel this Agreement by giving sixty (60) days written notice of its intention to terminate. Upon termination, ICS shall be entitled to only that pro rata fee based upon work actually accomplished as of the effective date of the termination. Any monies paid to the ICS in excess of the pro rata fee shall be refunded to the CLIENT within 30 days of the effective date of termination.

- IV. All claim files, loss reports, payroll information and other documents and materials shall be delivered by ICS to CLIENT upon termination of this Agreement. ICS agrees not to release any report, any portion thereof, or any result of any investigation it may undertake on behalf of the CLIENT to any outside person or CLIENT without the express written consent of CLIENT, except as provided by law or in this Agreement.
- V. In the performance of the services under this Agreement, ICS is an independent contractor, not an employee, and CLIENT will not provide to or pay for contractor any benefits normally furnished to employees of CLIENT, including but not limited to Workers' Compensation Insurance coverage, liability insurance coverage, health and accident insurance coverage, disability insurance coverage, unemployment insurance coverage or retirement benefits.
- VI. ICS agrees to defend any demand, claim or legal action commenced against CLIENT or its members caused directly or indirectly by wrongful or negligent acts of ICS's officers, employees, agents or others engaged by ICS; and indemnify CLIENT and its members against any liability, loss, cost or damage, including attorney fees resulting therefrom. CLIENT agrees to defend any demand, claim or legal action commenced against ICS caused directly or indirectly by the wrongful or negligent acts of its officers, employees, agents or others engaged by CLIENT, and indemnify ICS against any liability, loss, cost or damage, including attorney fees resulting therefrom.
- VII. ICS agrees to maintain in full force during the term hereof, a policy of public liability insurance under which ICS is named as insured, and containing an additional named insured endorsement naming CLIENT as an additional insured. The minimum limits of such insurance shall be \$1,000,000.00 (One Million Dollars). In addition, said insurance policy shall be endorsed to include the following language:
- “Insurance as is afforded by the endorsement for additional insureds shall apply as primary insurance. Any other insurance maintained by the City of Lodi or its officers and employees

shall be excess only and not contributing with the coinsurance afforded by this endorsement.”

A duplicate or certificate of said public liability insurance policy containing the above-stated required endorsements shall be delivered to CLIENT concurrently with execution of this Agreement and thereafter within ten (10) days following the issuance and each renewal of said policy.

VIII. ICS shall not assign this Agreement, nor any part thereof.

IX. File Storage

Pursuant to RR 15400.2 of the California Code of Regulations all files closed for more than 5 (five) years shall be identified by ICS and reported to CLIENT. Upon CLIENT direction ICS shall return the file to CLIENT, destroy file or maintain file at CLIENT expense with an off site storage facility.

X. Penalties and Fines

ICS and CLIENT hereto acknowledge the various penalties and administrative fines that are contained in The California Workers' Compensation Reform Act of 1989 (effective Jan. 1, 1990 and Jan. 1, 1991) that may be imposed on both employers and claim administrators. Penalties arising from the failure of CLIENT to provide timely notice of claim or such other CLIENT obligations shall be and remain the sole responsibility of the CLIENT. Administrative penalties arising solely from the failure of ICS to comply in a timely and proper manner with its duties as a claim administrator shall be and remain the sole responsibility of ICS.

XI. Fees

In consideration for services rendered, the CLIENT agrees to pay ICS as follows:

For the period October 1, 2004 through September 30, 2005 the annual fee will be \$82,154.39 payable in equal monthly installments to ICS commencing on _____, 2004 and continuing thereafter on the first day of each month until paid in full.

XII. Notices

All notices or other formal communication required under this Agreement shall be addressed and delivered as follows:

ICS: Innovative Claim Solutions, Inc.
PO Box 2070
Rancho Cordova, CA 95741-2070

CLIENT: City of Lodi
221 West Pine St.
Lodi, CA 95241-1910

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first hereinabove mentioned.

CITY OF LODI, a municipal
corporation

INNOVATIVE CLAIMS SOLUTIONS, INC.

By _____
JANET S. KEETER
Interim City Manager

By _____
GARY ARCHIBALD

ATTEST:

SUSAN J. BLACKSTON
City Clerk

APPROVED AS TO FORM:

D. STEPHEN SCHWABAUER
City Attorney

DATED: November ____, 2004.

RESOLUTION NO. 2004-253

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO EXECUTE A
CONTRACT WITH INNOVATIVE CLAIMS SOLUTIONS,
INC., FOR WORKERS' COMPENSATION CLAIMS
ADMINISTRATION

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BE IT RESOLVED that the Lodi City Council hereby authorizes the City Manager to execute a contract with Innovative Claims Solutions, Inc., for workers' compensation claims administration for the period October 1, 2004 through September 30, 2005, with an increase of 2.0% over the current annual fee (\$82,154.40).

Dated: November 17, 2004

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I hereby certify that Resolution No. 2004-253 was passed and adopted by the Lodi City Council in a regular meeting held November 17, 2004, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hitchcock, Howard, Land, and Mayor Hansen

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk